

TREX CO INC
Form DEF 14A
March 25, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Trex Company, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

Edgar Filing: TREX CO INC - Form DEF 14A

p No fee required.

.. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it is determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

TREX COMPANY, INC.

160 Exeter Drive

Winchester, Virginia 22603-8605

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 21, 2005

To our stockholders:

Notice is hereby given that the 2005 annual meeting of stockholders of Trex Company, Inc. will be held at Millwood Station, 252 Costello Drive, Winchester, Virginia, on Thursday, April 21, 2005, at 9:00 a.m., local time, for the following purposes:

1. to consider and vote upon a proposal to elect two directors of Trex Company;
2. to consider and vote upon a proposal to approve the Trex Company, Inc. 2005 Stock Incentive Plan;
3. to consider and vote upon a proposal to approve the material terms for payment of annual executive incentive compensation to permit the compensation paid pursuant to such material terms to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code;
4. to consider and vote upon a proposal to ratify the appointment of Ernst & Young LLP as Trex Company's independent registered public accounting firm for the 2005 fiscal year; and
5. to transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

Only stockholders of record at the close of business on March 7, 2005 will be entitled to notice of, and to vote at, the annual meeting or any adjournment or postponement thereof.

All stockholders are cordially invited to attend this meeting.

Edgar Filing: TREX CO INC - Form DEF 14A

Your vote is very important to us. Whether or not you plan to attend the meeting in person, your shares should be represented and voted. To vote, you should complete, sign, date and promptly return the enclosed proxy card in the self-addressed envelope that we have included for your convenience. Alternatively, you may submit your proxy through the Internet or by telephone as indicated on the proxy card. No postage is required if the proxy is mailed in the United States. Submitting the proxy before the annual meeting will not preclude you from voting in person at the annual meeting if you should decide to attend.

By Order of the Board of Directors,

Lynn E. MacDonald

Secretary

Dated: March 25, 2005

TREX COMPANY, INC.

160 Exeter Drive

Winchester, Virginia 22603-8605

Annual Meeting of Stockholders

April 21, 2005

PROXY STATEMENT

GENERAL INFORMATION

Proxy Solicitation

This proxy statement is furnished in connection with the solicitation of proxies by the board of directors of Trex Company, Inc. for use at Trex Company's 2005 annual meeting of stockholders to be held at Millwood Station, 252 Costello Drive, Winchester, Virginia, on Thursday, April 21, 2005, at 9:00 a.m., local time. The purpose of the annual meeting and the matters to be acted upon are set forth in the accompanying notice of annual meeting.

Trex Company will pay the cost of this proxy solicitation. In addition to the solicitation of proxies by use of the mails, officers and other employees of Trex Company may solicit proxies by personal interview, telephone, e-mail and telegram. None of these individuals will receive compensation for such services, which will be performed in addition to their regular duties. Trex Company also has made arrangements with brokerage firms, banks, nominees and other fiduciaries to forward proxy solicitation material for shares held of record by them to the beneficial owners of such shares. Trex Company will reimburse such persons for their reasonable out-of-pocket expenses in forwarding such material.

A list of stockholders entitled to vote at the annual meeting will be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of ten days before the meeting at Trex Company's offices at 160 Exeter Drive, Winchester, Virginia 22603-8605, and at the time and place of the meeting during the whole time of the meeting.

This proxy statement and the enclosed proxy card are first being mailed to Trex Company's stockholders on or about March 25, 2005.

Voting and Revocability of Proxies

A proxy for use at the annual meeting and a return postage-paid envelope are enclosed. Stockholders may also vote their shares through the Internet or by telephone by following the instructions provided on the enclosed proxy card.

Shares of Trex Company's common stock represented by a properly executed proxy, if such proxy is received in time and not revoked, will be voted at the annual meeting in accordance with the instructions indicated in such proxy. If no instructions are indicated, such shares will be voted **FOR** approval of each proposal listed on the proxy card. Discretionary authority is provided in the proxy as to any matters not specifically referred to in the proxy. Management is not aware of any other matters that are likely to be brought before the annual meeting. If any other matter is properly presented at the annual meeting for action, including a proposal to adjourn or postpone the annual meeting to permit the Company to solicit additional proxies in favor of any proposal, the persons named in the accompanying proxy will vote on such matter in their own discretion.

A vote through the Internet or by telephone may be revoked by executing a later-dated proxy card, by subsequently voting through the Internet or by telephone, or by attending the annual meeting and voting in person. A stockholder executing a proxy card also may revoke the proxy at any time before it is exercised by giving written notice revoking the proxy to Trex Company's Secretary, by subsequently filing another proxy bearing a later date or by attending the annual meeting and voting in person. Attending the annual meeting will not automatically revoke a stockholder's prior Internet or telephone vote or the stockholder's proxy. All written notices of revocation or other communications with respect to revocation of proxies should be addressed to Trex Company, Inc., 160 Exeter Drive, Winchester, Virginia 22603-8605, Attention: Secretary.

Voting Procedure

All holders of record of the common stock at the close of business on March 7, 2005 will be eligible to vote at the annual meeting. Each holder of common stock is entitled to one vote at the annual meeting for each share held by such stockholder. As of March 7, 2005, there were 14,851,375 shares of common stock outstanding.

The holders of a majority of the shares of common stock issued and outstanding and entitled to vote at the annual meeting, present in person or represented by proxy, will constitute a quorum at the annual meeting. Votes cast in person or by proxy at the annual meeting will be tabulated by the inspector of election appointed for the annual meeting, who will determine whether or not a quorum is present. Abstentions and any broker non-votes, which are described below, will be counted for purposes of determining the presence of a quorum at the annual meeting.

The election of directors requires a plurality of the votes cast for the election of directors. Accordingly, the directorships to be filled at the annual meeting will be filled by the nominees receiving the highest number of votes. In the election of directors, votes may be cast in favor of or withheld with respect to any or all nominees. Votes that are withheld will be excluded entirely from the vote and will have no effect on the outcome of the vote.

For Delaware law purposes, approval of the 2005 Trex Company, Inc. Stock Incentive Plan requires the affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote on such matter at the annual meeting. Under the rules of the New York Stock Exchange (the "NYSE"), on which Trex Company's common stock is listed, this proposal must be approved by a majority of the votes cast on the proposal, provided that the total votes cast on the proposal represent over 50% of the total number of votes that may be cast by holders of the shares of common stock outstanding and entitled to vote at the annual meeting. For Delaware law purposes and for purposes of the NYSE rules, an abstention from voting on this proposal will have the same effect as a vote against the proposal.

Approval of the proposal to approve the material terms for payment of annual executive incentive compensation and approval of the proposal to ratify the appointment of Trex Company's independent registered public accounting firm require the affirmative vote of the holders of a majority of the shares of common stock present in person or represented by proxy and entitled to vote on the applicable matter at the annual meeting. An abstention from voting on either proposal will have the same effect as a vote against such proposal.

Broker-dealers who hold their customers' shares in street name may, under the applicable rules of the exchanges and other self-regulatory organizations of which the broker-dealers are members, vote the shares of their customers on routine proposals, which under such rules typically include the election of directors, when they have not received instructions from the customer. Under these rules, brokers may not vote shares of their customers on non-routine matters without instructions from their customers. A broker non-vote occurs with respect to any proposal when a broker holds shares of a customer in its name and is not permitted to vote on that proposal without instruction from the beneficial owner of the shares and no instruction is given. A broker non-vote will not affect whether any proposal to be acted upon at the annual meeting is approved.

Annual Report to Stockholders and Other Information

A copy of Trex Company's annual report to stockholders for the 2004 fiscal year accompanies this proxy statement. Trex Company is required to file an annual report on Form 10-K for the 2004 fiscal year with the SEC. Stockholders may obtain, free of charge, a copy of the 2004 Form 10-K, without exhibits, by writing to Trex Company, Inc., 160 Exeter Drive, Winchester, Virginia 22603-8605, Attention: Secretary. The annual report on Form 10-K is also available through Trex Company's web site at <http://www.trex.com>. The annual report to stockholders and the Form 10-K are not proxy soliciting materials.

Trex Company also makes available on its web site at <http://www.trex.com> and in print to any stockholder who requests them copies of its corporate governance principles, its code of conduct and ethics, and the charters of each standing committee of its board of directors. Requests for copies of these documents should be directed to Trex Company, Inc., 160 Exeter Drive, Winchester, Virginia 22603-8605, Attention: Secretary.

Important Notice Regarding Delivery of Stockholder Documents

If you and other residents at your mailing address own common stock in street name, your broker or bank may have sent you a notice that your household will receive only one annual report to stockholders and proxy statement for each company in which you hold shares through that broker or bank. The practice of sending only one copy of an annual report to stockholders and proxy statement is known as householding. If you did not respond that you did not want to participate in householding, you were deemed to have consented to the process. If the foregoing procedures apply to you, your broker has sent one copy of Trex Company's annual report to stockholders and proxy statement to your address. You may revoke your consent to householding at any time by sending your name, the name of your brokerage firm, and your account number to ADP Household Department, 51 Mercedes Way, Edgewood, New Jersey 11717 (telephone number: 1-800-542-1061). In any event, if you did not receive an individual copy of Trex Company's annual report to stockholders or this proxy statement, and wish to do so, Trex Company will send a copy to you if you address your written request to Trex Company, Inc., 160 Exeter Drive, Winchester, Virginia 22603-8605, Attention: Secretary, or call Trex Company at 540-542-6300. If you are receiving multiple copies of the annual report to stockholders and proxy statement, you can request householding by contacting Trex Company in the same manner. Trex Company encourages you to participate in this program. It will reduce the volume of duplicate information received at your household, as well as reduce Trex Company's expense.

SECURITY OWNERSHIP

The following table presents, as of February 28, 2005, information based upon Trex Company's records and filings with the SEC regarding beneficial ownership of the common stock by the following persons:

each person known to Trex Company to be the beneficial owner of more than 5% of the common stock;

each director and each nominee to the board of directors;

each executive officer of Trex Company named in the summary compensation table under the "Executive Compensation" section of this proxy statement; and

all directors and executive officers of Trex Company as a group.

As of February 28, 2005, there were 14,847,044 shares of common stock outstanding.

The information presented below regarding beneficial ownership of Trex Company's common stock has been presented in accordance with rules of the SEC and is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, a person is deemed to be a beneficial owner of a security if that person has or shares the power to vote or direct the voting of the security or the power to dispose or direct the disposition of the security. A person is also deemed to be the beneficial owner of any security as to which a person has the right to acquire sole or shared voting or investment power within 60 days through the conversion or exercise of any convertible security, warrant, option or other right. More than one person may be deemed to be a beneficial owner of the same securities.

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class (%)</u>
FMR Corp 82 Devonshire Street Boston, Massachusetts 02109	2,221,600	15.0
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, Maryland, 21202	824,600	5.5
Anthony J. Cavanna c/o Trex Company, Inc. 160 Exeter Drive Winchester, Virginia, 22603-8605	1,445,986	9.7

Edgar Filing: TREX CO INC - Form DEF 14A

Robert G. Matheny	1,182,941	8.0
c/o Trex Company, Inc.		
160 Exeter Drive		
Winchester, Virginia, 22603-8605		
Andrew U. Ferrari	731,421	4.9
c/o Trex Company, Inc.		
160 Exeter Drive		
Winchester, Virginia, 22603-8605		
Harold F. Monahan	56,795	*
Paul D. Fletcher	59,326	*
William F. Andrews	20,088	*
William H. Martin, III	19,930	*
Patricia B. Robinson	6,201	*
Paul A. Brunner	2,811	*

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (%)
A. Catherine Lawler (1)		
Philip J. Pifer		
All directors and executive officers as a group (11 persons)	3,525,499	22.6

* Less than 1%.

(1) Ms. Lawler's employment as an executive officer terminated effective as of July 15, 2004.

The percentage of beneficial ownership as to any person as of February 28, 2005 is calculated by dividing the number of shares beneficially owned by such person, which includes the number of shares as to which such person has the right to acquire voting or investment power within 60 days after February 28, 2005, by the sum of the number of shares outstanding as of February 28, 2005 plus the number of shares as to which such person has the right to acquire voting or investment power within 60 days after February 28, 2005. Consequently, the denominator used for calculating such percentage may be different for each beneficial owner. Except as otherwise indicated below and under applicable community property laws, Trex Company believes that the beneficial owners of Trex Company's common stock listed in the table have sole voting and investment power with respect to the shares shown.

The information concerning FMR Corp. is based on a Schedule 13G amendment filed with the SEC on February 14, 2005, in which the reporting person reports that it has sole voting power with respect to 230,000 of the shares shown and sole dispositive power with respect to all of the shares shown.

The information concerning T. Rowe Price Associates, Inc. is based on a Schedule 13G filed with the SEC on February 14, 2005, in which the reporting person reports that it has sole voting power with respect to 172,500 of the shares shown and sole dispositive power with respect to 824,600 of the shares shown. The reporting person has informed Trex Company that the shares shown are owned by various individual and institutional investors for which the reporting person serves as investment adviser, with power to direct investments and/or sole power to vote the shares. The reporting person has informed Trex Company that it disclaims beneficial ownership of all the shares shown.

The shares of common stock shown as beneficially owned by Mr. Cavanna include 35,034 shares of common stock that Mr. Cavanna has the right to purchase within 60 days after February 28, 2005 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Matheny include 36,441 shares of common stock that Mr. Matheny has the right to purchase within 60 days after February 28, 2005 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Ferrari include 20,237 shares of common stock held in trust by the Andrew U. Ferrari Foundation, of which Mr. Ferrari and his spouse are co-trustees, and 35,444 shares of common stock that Mr. Ferrari has the right to purchase within 60 days after February 28, 2005 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Monahan include 16,795 shares of common stock that Mr. Monahan has the right to purchase within 60 days after February 28, 2005 pursuant to the exercise of stock options.

Edgar Filing: TREX CO INC - Form DEF 14A

The shares of common stock shown as beneficially owned by Mr. Fletcher include 18,074 shares of common stock that Mr. Fletcher has the right to purchase within 60 days after February 28, 2005 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Andrews include 8,088 shares of common stock that Mr. Andrews has the right to purchase within 60 days after February 28, 2005 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Martin include 10,830 shares of common stock that Mr. Martin has the right to purchase within 60 days after February 28, 2005 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Ms. Robinson include 6,201 shares of common stock that Ms. Robinson has the right to purchase within 60 days after February 28, 2005 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by Mr. Brunner include 2,811 shares of common stock that Mr. Brunner has the right to purchase within 60 days after February 28, 2005 pursuant to the exercise of stock options.

The shares of common stock shown as beneficially owned by all directors and executive officers as a group include 169,718 shares of common stock that they have the right to purchase within 60 days after February 28, 2005 pursuant to the exercise of stock options.

ELECTION OF DIRECTORS

(Proposal 1)

Nominees for Election as Directors

Trex Company's certificate of incorporation provides that the board of directors is to be divided into three classes of directors, with the classes to be as nearly equal in number as possible. The current terms of office of the three current classes of directors expire at this annual meeting, at the annual meeting of stockholders in 2006 and at the annual meeting of stockholders in 2007, respectively. Upon the expiration of the term of office of each class, the nominees for such class will be elected for a term of three years to succeed the directors whose terms of office expire.

Robert G. Matheny and William H. Martin, III have been nominated for election to the class with a three-year term that will expire at the annual meeting of stockholders in 2008. Both nominees are incumbent directors and have been recommended to be nominated for re-election to the board of directors by the nominating/corporate governance committee and nominated for re-election by the board of directors. Mr. Matheny has served on the board of directors since Trex Company's formation in September 1998. Mr. Martin has served on the board of directors since Trex Company's initial public offering in April 1999.

Approval of Nominees

Approval of the nominees requires the affirmative vote of a plurality of the votes cast at the annual meeting. Unless authority to do so is withheld, it is the intention of the persons named in the proxy to vote such proxy **FOR** the election of each of the nominees. If either nominee should become unable or unwilling to serve as a director, the persons named in the proxy intend to vote for the election of such substitute nominee for director as the board of directors may recommend. It is not anticipated that either nominee will be unable or unwilling to serve as a director.

The board of directors unanimously recommends that the stockholders of Trex Company vote FOR the election of the nominees to serve as directors.

Information About Nominees and Continuing Directors

Biographical information concerning each of the nominees and each of the directors continuing in office is presented below.

Nominees for Election for Three-Year Terms

<u>Name</u>	<u>Age</u>	<u>Director Since</u>
-------------	------------	-----------------------

Edgar Filing: TREX CO INC - Form DEF 14A

William H. Martin, III	74	1999
Robert G. Matheny	59	1998

William H. Martin, III served as Chairman of the Board of Directors of Martin Industries, Inc., a manufacturer and producer of gas space heaters, gas logs and pre-engineered fireplaces, from 1994 through 2003 and as a director of Martin Industries from 1974 to 1994. From 1987 to 1993, Mr. Martin served as Executive Assistant to the Rector of Trinity Church in New York City. From 1971 to 1987, he served as President and Chief Executive Officer of Martin Industries. Since 1993, Mr. Martin has been managing private investments and serving as a director of Aluma-Form, Inc., a manufacturer of components for electric utilities, and on the boards of several not-for-profit organizations. Mr. Martin is a graduate of Vanderbilt University.

Robert G. Matheny has served as Chairman and Chief Executive Officer of Trex Company since May 2003. He served as President of Trex Company from September 1998 to May 2003, and of TREX Company, LLC,

which was Trex Company's wholly-owned subsidiary until December 31, 2002, from August 1996 through December 2002. From 1970 to August 1996, Mr. Matheny held various positions with Mobil Oil Company, including General Manager of the Composite Products Division, General Manager of the Chemical Specialties Group, and Vice President of Mobil Chemical Products International. Mr. Matheny received a B.S. degree in industrial engineering and operations research from Virginia Polytechnic Institute.

Directors Whose Terms Expire in 2006

<u>Name</u>	<u>Age</u>	<u>Director Since</u>
Anthony J. Cavanna	65	1998
Patricia B. Robinson	52	2000

Anthony J. Cavanna is retired. He served as Executive Vice President and Chief Financial Officer of Trex Company from September 1998 through December 2003, and of TREX Company, LLC from August 1996 through December 2002. From 1962 to August 1996, Mr. Cavanna held a variety of positions with Mobil Chemical, including Group Vice President, Vice President-Planning and Finance, Vice President of Mobil Chemical and General Manager of its Films Division Worldwide, President and General Manager of Mobil Plastics Europe and Vice President-Planning and Supply of the Films Division. Mr. Cavanna currently serves as a director of Ultralife Batteries Co., Inc. and serves as chairman of its Audit and Finance Committee. Mr. Cavanna received a B.S. degree in chemical engineering from Villanova University and an M.S. degree in chemical engineering from the Polytechnic Institute of Brooklyn.

Patricia B. Robinson has been an independent consultant since 1999. From 1977 to 1998, Ms. Robinson served in a variety of positions with Mead Corporation, a forest products company, including President of Mead School and Office Products, Vice President of Corporate Strategy and Planning, President of Gilbert Paper, Plant Manager of a specialty machinery facility and Product Manager for new packaging product introductions. Ms. Robinson received a B.A. degree in economics from Duke University and an M.B.A. degree from the Darden School at the University of Virginia.

Directors Whose Terms Expire in 2007

<u>Name</u>	<u>Age</u>	<u>Director Since</u>
William F. Andrews	73	1999
Paul A. Brunner	69	2003
Andrew U. Ferrari	58	1998

William F. Andrews has served as Chairman of the Board of Directors of Corrections Corporation of America since August 2000 and as Chairman of the Board of Directors of Katy Industries, Inc., a manufacturer of maintenance and electrical products, since October 2001. He has served as Chairman of the Singer Company, a manufacturer of sewing machines, since 2004. Mr. Andrews has been a Principal of Kohlberg & Company, a venture capital firm, since 1994. From 1995 to 2001, Mr. Andrews served as Chairman of the Board of Directors of Scovill Fasteners Inc. Prior to 1995, he served in various positions, including Chairman of the Board of Directors of Northwestern Steel and Wire Company; Chairman of Schrader-Bridgeport International, Inc.; Chairman, President and Chief Executive Officer, with Scovill Manufacturing Co., where he worked for over 28 years; Chairman and Chief Executive Officer of Amdura Corporation; Chairman of Utica Corporation; and Chairman, President and Chief Executive Officer of Singer Sewing Company. Mr. Andrews also serves as a director of Black Box Corporation and O Charley's Restaurants. Mr. Andrews received a B.S. degree in business administration from the University of Maryland and an M.B.A. degree in marketing from Seton Hall University.

Edgar Filing: TREX CO INC - Form DEF 14A

Paul A. Brunner is President and Chief Executive Officer of Spring Capital Inc., a merchant bank, which he founded in 1985. From 1982 to 1985, Mr. Brunner served as President and Chief Executive Officer of U.S.

Operations of Asea-Brown Boveri, a multi-national Swiss manufacturer of high technology products. In 1967, he joined Crouse Hinds Company, a manufacturer of electronics and electronic equipment, and through 1982 held various positions with that company, including President and Chief Operating Officer, Executive Vice President of Operations, Vice President of Finance and Treasurer, and Director of Mergers and Acquisitions. From 1959 to 1967, he worked for Coopers & Lybrand, an international accounting firm, as an audit supervisor. Mr. Brunner also serves as a director of Johnson Controls, Inc. Mr. Brunner is a Certified Public Accountant. He received a B.S. degree in accounting from the University of Buenos Aires and an M.B.A. degree in management from Syracuse University.

Andrew U. Ferrari is a marketing and business development consultant. He served as Executive Vice President of Marketing and Business Development of Trex Company from October 2001 through March 2003, and of TREX Company, LLC from October 2001 through December 2002. He served as Executive Vice President of Sales and Marketing of Trex Company from September 1998 to October 2001 and of TREX Company, LLC from August 1996 to October 2001. From 1989 to 1996, Mr. Ferrari held various positions with Mobil Chemical Company, including Director of Sales and Marketing of the Composite Products Division, New Business Manager, and Marketing Director of the Consumer Products Division. Mr. Ferrari received a B.A. degree in economics from Whitman College and an M.B.A. degree from Columbia University.

Board of Directors and Committees of the Board of Directors

The board of directors currently consists of seven directors. The board of directors currently has a standing audit committee, a standing compensation committee and a standing nominating/corporate governance committee. The board of directors held five meetings during Trex Company's 2004 fiscal year. During fiscal 2004, each director attended at least 75% of the aggregate of the total number of meetings of the board of directors and of each committee of the board of directors on which such director served.

It is Trex Company's policy that all directors should attend the annual meetings of Trex Company's stockholders. All of the directors attended the annual meeting of stockholders in 2004.

Director Independence. The board of directors has affirmatively determined that all of the current directors, other than Robert G. Matheny, Anthony J. Cavanna and Andrew U. Ferrari, are independent of Trex Company within the meaning of the rules governing NYSE-listed companies. For a director to be independent under the NYSE rules, the board of directors must affirmatively determine that the director has no material relationship with Trex Company, either directly or as a partner, shareholder or officer of an organization that has a relationship with Trex Company.

Consistent with the official commentary to Section 303A.02(a) of the NYSE Listed Company Manual, the board of directors has adopted the following categorical standards of independence to assist it in determining whether a director has a material relationship with Trex Company. The following relationships between a director and Trex Company will not be considered material relationships that would preclude a finding by the board of directors that such director is independent under the NYSE rules:

employment of the director or the director's immediate family member by another company that makes payments to, or receives payments from, Trex Company or any of its subsidiaries for property or services in an amount which, in any single fiscal year, does not exceed the greater of \$1 million or 2% of such other company's consolidated gross revenues; and

a relationship of the director or the director's immediate family member with a charitable organization, as an executive officer, board member, trustee or otherwise, to which Trex Company or any of its subsidiaries has made charitable contributions of not more than \$50,000 annually in any of the last three years.

Edgar Filing: TREX CO INC - Form DEF 14A

Consistent with the NYSE rules, Trex Company's corporate governance principles require Trex Company's non-management directors to meet at least once each quarter without management present and, if the group of

non-management directors includes any director who is not independent under NYSE rules, to meet at least once each year with only the independent directors present. The role of presiding director for each such executive session of directors rotates among members in succession, as determined by the members. The presiding director for each meeting is responsible for advising the Chairman of the Board of decisions reached, and of recommendations for action by the board of directors made, at such meeting.

Audit Committee. The audit committee, which held eight meetings during fiscal 2004, currently consists of Mr. Brunner, who is the Chairman, Mr. Andrews and Mr. Martin. The board of directors has determined that each of the members of the audit committee satisfies the independence standards of the New York Stock Exchange. The board of directors also has determined that Mr. Brunner is an audit committee financial expert as such term is defined in Item 401(h)(2) of Regulation S-K promulgated by the SEC, and is independent of management. The audit committee is responsible, among its other duties, for engaging, overseeing, evaluating and replacing Trex Company's independent registered public accounting firm, pre-approving all audit and non-audit services by the independent registered public accounting firm, reviewing the scope of the audit plan and the results of each audit with management and the independent registered public accounting firm, reviewing the internal audit function, reviewing the adequacy of Trex Company's system of internal accounting controls and disclosure controls and procedures, reviewing the financial statements and other financial information included in Trex Company's annual and quarterly reports filed with the SEC, and exercising oversight with respect to Trex Company's code of conduct and other policies and procedures regarding adherence with legal requirements.

Compensation Committee. The compensation committee, which held five meetings during fiscal 2004, currently consists of Ms. Robinson, who is the Chairman, Mr. Brunner and Mr. Martin. Mr. Brunner was appointed to the committee effective on April 28, 2004. Mr. Andrews served as a member of the committee during fiscal 2004 until April 28, 2004. This committee is responsible for establishing the compensation and benefits of Trex Company's executive officers, monitoring compensation arrangements applicable to management employees for consistency with corporate objectives and stockholders' interests, and administering Trex Company's stock incentive plans.

Nominating/Corporate Governance Committee. The nominating/corporate governance committee, which held four meetings during fiscal 2004, currently consists of Mr. Andrews, who is the Chairman, Mr. Martin and Ms. Robinson. The committee is responsible for recommending candidates for election to the board of directors and for making recommendations to the board of directors regarding corporate governance matters, including board size and membership qualifications, board committees, corporate organization, non-employee director compensation, succession planning for officers and key executives, programs for training and development of executive-level employees, and stockholder proposals regarding these matters.

Director Nominations Policy

The board of directors has, by resolution, adopted a director nominations policy. The purpose of the nominations policy is to set forth the process by which candidates for possible inclusion in our recommended slate of director nominees are selected. The nominations policy is administered by the nominating/corporate governance committee of the board of directors.

The board of directors does not currently prescribe any minimum qualifications for director candidates. Consistent with the criteria for the selection of directors approved by the board of directors, the nominating/corporate governance committee will take into account Trex Company's current needs and the qualities needed for board service, including experience and achievement in business, finance, technology or other areas relevant to Trex Company's activities; reputation, ethical character and maturity of judgment; diversity of viewpoints, backgrounds and experiences; absence of conflicts of interest that might impede the proper performance of the responsibilities of a director; independence under SEC and NYSE rules; service on other boards of directors; sufficient time to devote to board matters; and ability to work effectively and collegially with other board

members. In the case of incumbent directors whose terms of office are set to expire, the nominating/corporate governance committee will review such directors' overall service to Trex Company during their term, including the number of meetings attended, level of participation, quality of performance and any transactions of such directors with Trex Company during their term. For those potential new director candidates who appear upon first consideration to meet the board's selection criteria, the nominating/corporate governance committee will conduct appropriate inquiries into their background and qualifications and, depending on the result of such inquiries, arrange for in-person meetings with the potential candidates.

The nominating/corporate governance committee may use multiple sources for identifying director candidates, including its own contacts and referrals from other directors, members of management, Trex Company's advisors, and executive search firms. The committee will consider director candidates recommended by stockholders and will evaluate such director candidates in the same manner in which it evaluates candidates recommended by other sources. In making recommendations for director nominees for the annual meeting of stockholders, the nominating/corporate governance committee will consider any written recommendations of director candidates by stockholders received by the Secretary of Trex Company no later than 120 days before the anniversary of the previous year's annual meeting of stockholders. Recommendations must include the candidate's name and contact information and a statement of the candidate's background and qualifications, and must be mailed to Trex Company, Inc., 160 Exeter Drive, Winchester, Virginia 22603-8605, Attention: Secretary.

The nominations policy is intended to provide a flexible set of guidelines for the effective functioning of Trex Company's director nominations process. The nominating/corporate governance committee intends to review the nominations policy at least annually and anticipates that modifications may be necessary from time to time as Trex Company's needs and circumstances evolve, and as applicable legal or listing standards change. The nominating/corporate governance committee may amend the nominations policy at any time.

Trex Company's bylaws provide that any stockholder wishing to nominate persons for election as directors at an annual meeting must deliver to the Secretary of Trex Company at Trex Company's principal office in Winchester, Virginia a written notice of the stockholder's intention to make such a nomination. The stockholder generally is required to furnish the notice no earlier than 120 days and no later than 90 days before the first anniversary of the preceding year's annual meeting. The notice must include the following information: (1) such information regarding each proposed nominee as would be required to be disclosed under SEC rules and regulations in solicitations of proxies for the election of directors in an election contest or otherwise; (2) the written consent of each proposed nominee to serve as a director of Trex Company; and (3) as to the stockholder giving the notice and the beneficial owner, if any, of common stock on whose behalf the nomination is made, (a) the name and address of record of such stockholder and the name and address of such beneficial owner, (b) the class and number of shares of Trex Company's capital stock that are owned beneficially and of record by such stockholder and such beneficial owner, (c) a representation that the stockholder is a holder of record of Trex Company's capital stock entitled to vote at such meeting and intends to appear, in person or by proxy, at the meeting to propose such nomination and (d) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends to (A) deliver a proxy statement or form of proxy to holders of at least the percentage of Trex Company's outstanding capital stock required to elect the nominee or (B) otherwise solicit proxies for stockholders in support of such nomination. Trex Company may require any proposed nominee to furnish such other information as Trex Company may reasonably require to determine the eligibility of such proposed nominee to serve as a director of Trex Company.

Communications With the Board of Directors

The board of directors welcomes communications from its stockholders and other interested parties and has adopted a procedure for receiving and addressing those communications. Stockholders and other interested parties may communicate any concerns they may have about Trex Company directly and confidentially to either the full board of directors or the non-management directors as a group, or to any individual director, at the

following address: Trex Company, Inc., 160 Exeter Drive, Winchester, Virginia 22603-8605, Attention: Secretary. A stockholder or other interested party may also call Trex Company's governance hotline at 1-800-719-4916 and press 2 for Trex Company's Secretary. An independent third-party vendor maintains Trex Company's governance hotline, and all calls are forwarded to Trex Company's Secretary. Trex Company's Secretary will review and forward all stockholder communications and other communications from interested parties to the intended recipient, except for those communications that are outside the scope of board matters or duplicative of other communications by the applicable person.

Director Compensation

Fees. Non-employee directors of Trex Company receive cash and equity-based fees pursuant to the Trex Company, Inc. Amended and Restated 1999 Incentive Plan for Outside Directors, which is referred to in this proxy statement as the Outside Director Plan. The Outside Director Plan is administered by a committee consisting of Trex Company's Chief Executive Officer and Trex Company's Chief Financial Officer. All stock options awarded as fees to non-employee directors are issued pursuant to the Trex Company, Inc. Amended and Restated 1999 Stock Option and Incentive Plan, which is referred to in this proxy statement as the 1999 Stock Option and Incentive Plan.

Each non-employee director receives, as an annual fee for service on the board of directors, a fee of \$20,000. For the first two quarters of fiscal 2004, each non-employee director was also entitled to receive, as an annual board fee, stock options to purchase 1,500 shares of common stock. In addition, each member of the audit committee (other than the chairman) was entitled to receive an annual committee fee of \$5,000, each member of the compensation and the nominating/corporate governance committees (other than their respective chairmen) was entitled to receive an annual committee fee of \$2,500, the chairman of the audit committee was entitled to receive an annual committee fee of \$10,000, and the chairmen of the compensation and the nominating/governance committees were entitled to receive an annual committee fee of \$5,000. The monetary portion of the annual director fee and the annual committee fees were paid in the form of cash, stock options (based on the Black-Scholes valuation model), or a combination of cash and stock options, based on the percentages of these forms of consideration elected by the serving director, in four equal quarterly installments in arrears on the first business day following each quarter of the fiscal year in which the eligible director completed board or committee service. The stock options for 1,500 shares were granted on the date of the first regularly scheduled board of directors meeting after the June 30 of each year.

At a meeting in July 2004, the board of directors amended the Outside Director Plan to increase from 1,500 to 2,000 shares the number of shares subject to the annual stock option grant and to provide for the payment of fees of \$1,000 for each board meeting attended in person and \$500 for each board meeting attended via teleconference. The board also increased to \$5,500 the annual committee fee payable to each audit committee member (other than the chairman), to \$3,500 the annual committee fee payable to each member of the compensation and the nominating/corporate governance committees (other than their respective chairmen) and to \$7,500 the annual committee fee payable to the chairmen of the compensation and the nominating/corporate governance committees. The annual committee fee of \$10,000 payable to the chairman of the audit committee was not changed. The monetary portion of the annual director fee and the annual committee fees are paid in the form of cash, stock options (based on the Black-Scholes valuation model), or a combination of cash and stock options, based on the percentages of these forms of consideration elected by the serving director. The monetary portion of such fees are paid in four equal quarterly installments in arrears on the first business day following each quarter of the fiscal year in which the eligible director completes board or committee service. The stock options for 2,000 shares are granted on the date of the first regularly scheduled board of directors meeting after June 30 of each year.

The table below shows compensation paid to the non-employee directors for service in 2004.

Name of Director	Options	Cash (\$)
William F. Andrews	2,000	34,333
Paul A. Brunner	2,370	25,573
Anthony J. Cavanna	1,000	22,000
Andrew U. Ferrari	2,947	
William H. Martin, III	2,715	16,625
Patricia B. Robinson	2,000	31,250
Total	13,031	129,781

Stock Option Grants. Trex Company's current policy is to grant non-employee directors options to purchase 1,500 shares of common stock upon their initial appointment to the board of directors. The exercise price per share under each option granted to a non-employee director upon appointment or in payment of annual director fees and annual committee fees is the fair market value of the common stock on the option grant date. Each such option awarded in 2004 and in subsequent periods vests on the first anniversary of the option grant date. No option is exercisable more than ten years after the option grant date. Upon the termination of a non-employee director's service for any reason (other than for cause), any options granted to the director will vest, and the director will have the right, at any time within a specified period after the date of termination of service and prior to termination of the options, to exercise any options held by the director on the service termination date.

Executive Compensation

The following table shows information for the last three fiscal years regarding the compensation paid to Trex Company's Chairman and Chief Executive Officer and to each other person who was an executive officer of Trex Company in fiscal 2004. The officers listed in the table are referred to in this proxy statement as the named executive officers.

Summary Compensation Table

Name and Principal Position	Annual Compensation (1)			Long Term Compensation		
	Fiscal Year	Salary (\$)	Bonus (\$)	Restricted Stock Awards (\$)	Securities Underlying Options (#) (2)	All Other Compensation (\$) (3)
	Robert G. Matheny	2004	451,860	336,000		21,111
Chairman and Chief Executive Officer	2003	355,965	204,000		14,458	20,432
	2002	268,508	313,600			49,826
	Harold F. Monahan	2004	315,236	186,550		8,586
Executive Vice President and General Manager	2003	285,414	107,100		8,119	18,563
	2002	217,232	176,099	950,400(4)	24,630	40,888

Edgar Filing: TREX CO INC - Form DEF 14A

Paul D. Fletcher	2004	244,879	150,000	7,205	45,972
	2003	226,145	90,000	7,261	20,891
Senior Vice President and Chief Financial Officer					
A. Catherine Lawler	2004	224,396(5)		5,619	17,114
	2003	211,949	70,000	25,000	261,709
Senior Vice President, Marketing					
Philip J. Pifer (6)	2004	126,582	100,000	60,000	19,772
Senior Vice President, Sales and Marketing					

- (1) In accordance with SEC rules, information about other compensation in the form of perquisites and other personal benefits has been omitted because such perquisites and other personal benefits constituted less than the lesser of \$50,000 or 10% of the total annual salary and bonus for the named executive officers.

- (2) The options were granted under the 1999 Stock Option and Incentive Plan.
- (3) The amounts shown in the All Other Compensation column consist of the following: (a) for Mr. Matheny, \$4,000 in fiscal 2004, \$3,000 in fiscal 2003 and \$2,750 in fiscal 2002 in matching contributions to Trex Company's defined contribution employee profit sharing and 401(k) plan (referred to below as the 401(k) plan); \$8,000 in fiscal 2004, \$8,000 in fiscal 2003 and \$6,800 in fiscal 2002 in employer contributions to Trex Company's defined contribution employee money purchase pension plan (referred to below as the Money Purchase Plan); and \$28,919 for fiscal 2004, \$9,432 for fiscal 2003 and \$40,276 for fiscal 2002 in profit sharing; (b) for Mr. Monahan, \$4,000 in fiscal 2004, \$3,000 in fiscal 2003 and \$2,750 in fiscal 2002 in matching contributions to the 401(k) plan; \$8,000 in fiscal 2004, \$8,000 in fiscal 2003 and \$5,554 in fiscal 2002 in employer contributions to the Money Purchase Plan; and \$20,175 for fiscal 2004, \$7,563 for fiscal 2003 and \$32,584 for fiscal 2002 in profit sharing; (c) for Mr. Fletcher, \$3,250 in fiscal 2004 and \$3,000 in fiscal 2003 in matching contributions to the 401(k) plan; \$8,000 in fiscal 2004 and \$5,562 in fiscal 2003 in employer contributions to the Money Purchase Plan; \$15,672 for fiscal 2004 and \$5,992 for fiscal 2003 in profit sharing; and \$19,050 in fiscal 2004 and \$6,337 in fiscal 2003 in reimbursement of relocation expenses; (d) for Ms. Lawler, \$2,154 in fiscal 2004 and \$1,870 in fiscal 2003 in matching contributions to the 401(k) plan; \$3,740 in fiscal 2004 in employer contributions to the Money Purchase Plan; \$11,220 in fiscal 2004 in payment of accrued vacation pursuant to Ms. Lawler's severance agreement; \$254,236 in fiscal 2003 in reimbursement of relocation expenses; and \$5,603 for fiscal 2003 in profit sharing; and (e) for Mr. Pifer, \$11,670 in fiscal 2004 in reimbursement of relocation expenses; and \$8,101 for fiscal 2004 in profit sharing.
- (4) Represents the dollar value